

FISCAL NOTE

Bill #: SB0274

Title: Revise coverage of mortgage broker law

Primary Sponsor: Barkus, G

Status: As Introduced - Revised

Sponsor signature	Date	David Ewer, Budget Director	Date
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Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
State Special Revenue	\$54,705	\$59,784
Revenue:		
State Special Revenue	\$83,000	\$56,350
Net Impact on General Fund Balance:	\$0	\$0

- | | |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Administration

1. There will be 201 licenses issued to mortgage bankers. Of the 201 new licensees, 67 will be business entity licenses, 67 will be individual mortgage broker licenses and 67 will be loan originator licenses.
2. There will be 67 business entity licenses issued to mortgage bankers. The department assumes that 35 consumer loan licensees located in Montana will be licensed as mortgage broker entities. In addition, information provided by the Montana Association of Mortgage Brokers indicates there are 29 mortgage banker entities in Montana. Seven of those entities presently are licensed as mortgage broker entities. The department assumes that the remaining 22 also will become licensed. The department estimates 10 out-of-state mortgage banker entities will meet the requirements to be licensed by establishing a physical presence in Montana.
3. There will be 67 individual mortgage broker licenses issued to mortgage bankers. Each business entity is required to employ a licensed mortgage broker.
4. There will be 67 loan originator licenses issued to mortgage bankers. Business entity employees that perform loan origination duties are required to be licensed. The department estimates each entity will employ one loan originator. A loan originator may work for only one licensed entity at a time.

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(continued)

5. 32-9-117, MCA, provides for prorated application fees for any license period less than six months. Approximately 40 broker licenses and 20 loan originator licenses will be prorated for less than half-year licenses in FY 2006.
6. 32-9-116, MCA, provides for the ability of a loan originator to relocate to another licensed mortgage broker entity. An estimated 10 loan originators will relocate to another licensed mortgage broker in FY 2006, with 15 relocations in FY 2007. A processing fee of \$50 is required for each relocation.
7. One FTE at payband 6 will be needed for licensing matters, complaints, investigations, and examinations.
8. Rulemaking in FY 2006 will generate 20 pages of published material. ARM publication costs will remain at \$40 per page.
9. Training and continuing education expenses for mortgage broker examiners will continue.

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
FTE	0.75	1.00
<u>Expenditures:</u>		
Personal Services	\$37,110	\$49,480
Operating Expenses	9,674	10,304
Equipment	<u>7,921</u>	<u>0</u>
TOTAL	\$54,705	\$59,784
<u>Funding of Expenditures:</u>		
State Special Revenue (02)	\$54,705	\$59,784
<u>Revenues:</u>		
State Special Revenue (02)	\$83,000	\$56,350
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
State Special Revenue (02)	\$28,295	(\$3,434)

TECHNICAL NOTES:

1. 32-9-121, MCA requires a physical location in Montana. There is no way to accurately estimate the number of entities who are providing mortgage broker services as defined under the Act.
2. One third of the states maintain brick and mortar requirements on brokers. This provision could be subject to a constitutional challenge.
3. The national Mortgage Brokers Association reports over 2,700 mortgage banker companies as members. If the brick and mortar requirement were found unconstitutional, the number of potential licensees could expand.
4. The division has adopted an Administrative Rule amendment reducing the renewal fee for mortgage broker entities from \$300 to \$50.